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Report on Freights on the Pacific Railroads

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IN THE SENATE OF THE UNITED STATES.

FEBRUARY 24, 1871.—Ordered to be printed.

Mr. STEWART made the following

REPORT.

[To accompany joint resolution S. R. No. 267.]

The Committee on the Pacific Railroad, to which was referred Senate resolution No. 267, in relation to freights on the Pacific railroads, submit the following report :

The cost of the mail service to the Pacific coast had been annually increasing for several years before the opening of the railroad. From June 30, 1860, to June 30, 1861, the cost of the overland route from the Missouri River to California alone, was \$954,855 15. From June 30, 1861, to June 30, 1864, the same service from the Missouri River to Placerville, was \$3,210,000, or, per annum, \$1,070,000. To these sums should be added the steamship service, which averaged, including incidental charges for agents, &c., at least \$200,000 per annum, and the cost from Placerville to San Francisco, about \$50,000 per annum.

It will thus be seen that the average cost of mail transportation for four years previous to June 30, 1864, was \$1,296,213 per annum. With the increased cost of labor and materials, the cost of this service was greatly increased after 1864. The effect of the railroad will be shown by a comparison of the cost of mail service in 1868 with the year 1870. It is true that in 1868, 650 miles of the railroad had been completed and were in use. The cost of transporting the mails this distance by stage ought to be added. But in this statement the actual figures only are given.

Cost of transporting the mails to the Pacific coast from June 30, 1867, to June 30, 1868.

Paid Union Pacific Railroad, Omaha to Laramie, 573 miles..	\$145, 850.
Paid Central Pacific Railroad, Sacramento to Cisco, 94 miles.	28, 200
Paid Pacific Mail Steamship Company, 24 trips via Panama.	150, 000.
Paid Steamer, San Francisco to Sacramento.....	18, 000.
Paid Panama Railroad Company, Aspinwal to Panama, 48 miles	37, 500.
Paid Wells, Fargo & Co., contract, from Laramie to Cisco, 834 miles	1, 750, 000
Total	<u>2, 129 550</u>

Cost of same service in 1870:

Paid Pacific Railroad Company, Omaha to San Francisco	\$466, 250	
Paid Pacific Mail Steamship Company, 24 trips..	100, 000	
		<u>\$566, 250</u>
Difference.....		<u>1, 563, 300</u>

It may be claimed that the whole sum of \$1,750,000 was not all paid on the contract to Wells, Fargo & Co., for their service was reduced with the advance of the railroad, and their contract did not run for the whole year. But contractors at lower prices failed. Brigham Young offered to carry 1,500 pounds of mail for \$750,000 per annum, and 10 cents per pound for each 100 miles in addition. After using all efforts to obtain a contract at a lower price, the offer of Wells, Fargo & Co. was accepted as being the lowest and best. It is therefore a fair criterion for the cost of a daily mail in the absence of a railroad.

Against a mail service which was constantly interrupted, and scarcely ever prompt and certain, with numerous losses and failures, before the year 1869, the contrast presented by a like service in the railroad is striking. The Postmaster General in his last report states that the mails from New York to San Francisco, a distance of 3,307 miles, average only one hour and fourteen minutes less than the schedule time, which is seven days six hours, while on the best of the routes from New York to New Orleans the average is eight hours and forty minutes over the schedule time.

The economy to the country in relation to the other items of Government expenditure cannot be accurately contrasted, but some items of evidence on that subject are herewith presented.

The contract price for Government transportation before the war was \$1 30 per 100 pounds for each one hundred miles. This was before the increase in prices. The actual saving to the Government upon the amount of transportation which the Pacific railroads have already performed is shown by the following computation:

The amount which the railroad companies have paid on the interest account to the United States, as shown by the report of the Treasury, to December 1, 1870.....	\$2, 417, 493 95	
Amount of suspended warrants for same service since interest question was raised, and amount since earned.	400, 000 00	
		<u>2, 817, 493 95</u>

This represents one-half the entire service, including the mails.

The whole amount, therefore, is..... \$5, 634, 987 90

From this deduct mail service, as follows:

In 1870	\$566, 250	
In 1869	547, 900	
In 1868	235, 870	
In 1867	117, 000	
		<u>1, 456, 020 00</u>
Balance.....		<u>4, 178, 967 90</u>

The highest price of transportation paid to the railroads is not more than 25 cents per 100 pounds per one hundred miles. The amount which

the transportation—for which \$4,178,967 90 was paid—would have cost, at the rate of \$1 30 per 100 pounds per one hundred miles, is therefore a matter of mathematical calculation. That sum would have been \$21,730,633 80, showing a saving of \$17,551,666, which would pay all arrears of interest now due upon the bonds issued to the Pacific railroad companies more than three times over.

The Secretary of War on the 15th of February, 1871, in answer to a resolution of the Senate, estimates the cost of the military service, through the War Department, in guarding the overland route from the Missouri River to the Pacific Ocean, from the acquisition of California to 1864, a period of sixteen years, at about \$100,000,000, and states that this sum "is rather below than above the true cost of the service." This sum would equal \$6,250,000 per annum for the entire period. As this expense was constantly increasing, the annual cost at the time of the opening of the Pacific railroad must have been much greater.

The expenses of the Indian service for the same period, as shown by the report of the Commissioner of Indian Affairs, was over \$560,000 per annum, and the mail service averaged a little less than \$1,000,000 per annum for the whole time, but in the year 1864 it had reached \$1,296,000 per annum, and was increasing with the population of the Pacific coast. These sums together make an average annual cost, from 1848 to 1864, of over \$8,000,000.

These statements fully corroborate the statement of Secretary Stanton and of the chairman of the Senate Committee on the Pacific Railroad, made in 1862, that the cost of this Government service at that time was about \$7,500,000 per annum, and that this cost was annually increasing.

The whole amount of the bonds issued in aid of all the Pacific railroads is \$64,618,832. The annual interest on the same is \$3,877,129 92. The earnings thus far have paid about 30 per cent. of the interest, which, deducted from the annual interest, leaves the net annual expenditure for interest \$2,713,991.

The net result to the United States may be thus stated :

The cost of the overland service for the whole period from the acquisition of our Pacific coast possessions down to the completion of the Pacific Railroad was over \$3,000,000 per annum, and this cost was constantly increasing.

The cost since the completion of the road is the annual interest—\$3,877,129—to which must be added one-half the charges for services performed by the company, about \$1,163,138 per annum, making a total annual expenditure of about \$5,000,000, and showing a saving of at least \$3,000,000 per annum.

This calculation is upon the basis that none of the interest will ever be repaid to the United States except what is paid by services, and that the excess of interest advanced over freights is a total loss.

In this statement no account is made of the constant destruction of life and private property by Indians, of the large amounts of money paid by the Secretary of the Treasury as indemnity for damages by Indians to property in the Government service on the plains under the act of March 3, 1849, of the increased mail facilities, of the prevention of Indian wars, of the increased value of public lands, of the development of the coal and iron mines of Wyoming, and the gold and silver mines of Nevada and Utah, of the value of the road in a commercial point of view in utilizing the interior of the continent, and in facilitating trade and commerce with the Pacific coast and Asia, and above all in cementing the Union and furnishing security in the event of foreign war.

It is clear that, through a new and undeveloped country in the infancy of the enterprise, the Pacific railroad companies cannot keep their roads in full repair, furnish them with new iron when required, pay the interest upon their first mortgage and floating debt, and pay to the Government, semi-annually, the interest upon the Government bonds. It is clear that it is for the interest of the Government that these roads should remain in their present hands. If the present company should be crushed, one of two results must happen: either the roads must pass into the hands of the first mortgage bondholders, with whom the Government has a less favorable contract, or the Government must take the roads and pay the first mortgage. The last result no legislator can look upon with favor. Aside from any legal or equitable claim, it would therefore seem that the best interests of the United States would be served by patronizing the roads to the full extent of the public business, and that no trifling difference in the terms offered upon other routes should be allowed to divert that business from the Pacific Railroads.

It is clear that a considerable amount of Government freight has been sent by other routes, but that amount cannot now be ascertained, as the accounts of the Quartermaster's Department, in which it is almost wholly contained, have not yet been adjusted for the past year. The answer of the President to the Senate resolution on that subject shows that the amounts sent by other routes, for the past year, by the Navy Department cost \$106,825, and by the War Department, \$58,394 94. But by far the greater amount, and indeed nearly the whole, can only be found in the accounts of the Quartermaster General's Office; and the letter of the Third Auditor of the Treasury shows that none of these accounts for 1869-70 have yet been returned.

The committee, however, do not think it necessary to recommend any further legislation, at the present time, on the subject. The employment of these roads for Government purposes, in all proper cases, is so manifestly for the interest of the United States, that it is believed that the several Departments of the Government will, under existing laws, extend to them all the patronage in their power consistent with the public interest.

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